



THE CITY OF SAN DIEGO

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Enterprise Zone Tax Breaks A bone Of Contention For Labor And Industry

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SAN DIEGO — Governor Jerry Brown wants to eliminate tax credits for enterprise zones, in order to trim the budget. Since state Republicans blocked the proposal, supporters of the incentives have received a breather until this November, when it could go on the ballot.

Enterprise zones (EZ) are designated areas within cities where businesses receive considerable tax breaks and incentives. They were created to encourage investment and growth in distressed areas.

Companies that locate their facilities in the EZs receive a tax credit of up to \$37,500 over a 5-year period for hiring traditionally hard-to-employ workers.

Aside from the hiring credit, they also receive a sales tax credit, business expense deductions and a net interest deduction.

In San Diego County, the EZ comprises parts of [National City, Chula Vista and San Diego](#).

It's a mixed-use zone, with both industrial and commercial businesses. About 13,000 workers have been hired in the last three years by 750 companies.

The tax credits have become a bone of contention between EZ supporters and labor unions, which want them eliminated. The [California Labor Federation](#) claims that there is no net job creation and that the zoning favors big corporations, not just small businesses.

Labor unions like the AFL-CIO support [Governor] Brown's proposal to end all tax incentives. If enough signatures are collected, this could be a ballot measure in the November election.

To counter this move and with the aim of keeping some, if not all of the incentives, [a coalition of EZ supporters](#) have come together, comprised of city governments across California, industry associations and businesses.

Lydia Moreno with Mayor Jerry Sanders' office said the enterprise zone is the only incentive our state has for businesses.

“Unfortunately California doesn't have a whole lot to offer in the way of incentives like the state of Arizona, Nevada and Texas do. We don't have free land to give. All we have at the moment is the state enterprise zone program,” [Moreno] said.

Angie Wei with the California Labor Federation did not agree.

“California actually created a number of incentives for employers including a sales tax exemption and green manufacturing companies. We have a new hiring tax credit,” Wei said.

Labor unions claim that the EZs actually take jobs away from other areas, such as when a business decides to relocate to a zone, abandoning its current site and the workers it employed there.

To drive home their point, the Teamsters Union sent every state legislator a box of chocolates for Valentine's Day this year, with a message to end what they call a ['sweetheart deal'](#).

But Moreno says removing the tax credits is tantamount to a breach of promise.

“They come in and make a multimillion dollar investment and then 5 years later the laws are changing on them. And that investment they made, they may not have made here had they known the rules were going to change so drastically,” Moreno said.

Moreno admitted that the incentives do benefit big businesses, as well as small ones. She said the coalition of supporters have suggested tiered tax credits, with manufacturing benefiting more than other sectors since it tends to hire more workers and to limit credits to 50 per cent of the tax amount